

2.10 Asset Accounting

2.10.1 Objective

The Fixed Assets module in the SCEIS solution serves as a subsidiary ledger to the Finance (FI) General Ledger and is used to manage and track fixed assets. This module encompasses the entire lifecycle of the asset from purchase order or the initial acquisition through its retirement. Depreciation is calculated and available through standard reports. The Fixed Assets module also has special functionality for dealing with leased assets and assets under construction, as well as functionality that will allow the State of South Carolina to record multiple methods of depreciation for the same asset for financial reporting purposes. Functionality also exists in the Fixed Assets module to revalue assets that have been damaged or renovated, and retire assets when they are no longer of value to the State.

The objective of asset accounting will be to track the State's long-term assets with respect to valuation, useful life, depreciation, physical location, retirement, and transfer. Master records will be created in the SCEIS solution for each of the State's long-term assets at the acquisition value. Depreciation rules will be established and calculated automatically at period-end. Every asset will be assigned a physical location on the asset's master record.

2.10.2 Process Definition

Master Data

- **Asset Master Record** – The asset master record contains detailed accounting information related to the purchase of the asset, including fund, functional area, funds center, and cost center. The asset master record also contains information, such as depreciation areas, description, asset class, and date of purchase.

The Fixed Assets module of the SCEIS solution will satisfy a wide range of business requirements for the State. Tracking each asset's physical location, useful life, and value will be accomplished on the asset master record. Users will provide an asset class (building, land, vehicle, etc.) and the quantity. By entering a value of more than one in the quantity field the State will be able to track multiple assets with a single master record. The SCEIS solution also allows for mass changes of master data. Mass changes to large numbers of assets can be made without having to change each master record individually. Such changes might be necessary when

reorganization within or between State agencies takes place, or large numbers of assets are retired at the same time.

Depreciation

Each asset in the SCEIS solution will have at least two depreciation areas assigned to it. The depreciation areas specify the different methods for calculating depreciation for the asset to which they are assigned. A depreciation area for modified accrual accounting and a depreciation area for full accrual accounting for each long-term asset will be assigned. When the depreciation program is run at period-end, the useful life of each asset is used as the basis in accordance with the information provided in the depreciation areas to calculate the depreciation/expense and post it to the general ledger. Separate general ledger accounts will be established to collect the values for modified and full accrual basis of accounting and these values will be used in the preparation of the State's CAFR (Comprehensive Annual Financial Report) and other reporting needs. These accounts will not impact budget availability as controlled in Funds Management. The modified accrual and full accrual depreciation areas will also satisfy the requirements of GASB statements 34 and 35. Additional depreciation areas may be required to track depreciation for other means, such as on a grant basis or federal reporting requirements. Currently, no additional depreciation areas have been identified.

At period end the depreciation program will be executed simultaneously for all State agencies. This program will be executed centrally and will be run during non-business hours to avoid strain on the system's resources. Executing the depreciation program is part of the period-end process.

Exhibit 2.10.2-1 Depreciation Areas

Depreciation Area	Purpose
01 – Modified Accrual	The modified accrual depreciation area will be used to create the expense for the entire value of the asset in the period in which it is purchased.
20 – Full Accrual	The full accrual depreciation area will calculate depreciation over the asset's expected useful life. The State has indicated it will most likely only use the straight-line method of depreciation, which means the asset's value will be divided by its useful life and this amount will be depreciated each period.

Transfers

The State often transfers assets from one agency to another, as well as within agencies, and it is necessary to keep track of these asset transfers within the SCEIS solution. A separate transaction will be used for transfers, which retires the asset master record in the sending agency / department and creates a new asset master record in the receiving agency / department. During this process asset history is pulled from the “old” asset master record to the “new” asset master record so that no depreciation or valuation information is lost.

Retirements

Retirements, like transfers, will use a separate transaction in the SCEIS solution. Retiring an asset removes it from the State’s asset portfolio, and if revenue is generated from the sale of the asset being retired, it gets posted to the appropriate GL account(s). Each asset will be assigned a unique, internal system-generated number to identify it within the system. In addition, there will also be a field on each asset master record where agencies and/or departments will be able to enter their own tracking number (tag number).

Standard retirement reason codes exist in the solution. No additional reason codes for the retirement of assets have been identified. The following includes the standard reasons for retiring an asset:

- Lost
- Stolen
- Sold (retired with revenue)
- Retired (retired without revenue)
- Donated

The SCEIS Solution will allow for the recording of the following information related to missing, lost, or stolen assets:

- Property tag / inventory control number
- Reporting individual
- Date of occurrence or date first noticed missing
- Description of circumstances surrounding the disappearance

- Steps taken to locate the item
- Police report number and comments (if applicable)

Acquisition

Fixed assets within the SCEIS solution is integrated with other components/modules. Reconciliation accounts pass high-level financial information from the Fixed Assets module to the General Ledger (see General Ledger section). Fixed assets is also integrated with the procurement cycle and may be updated with detailed acquisition data such as, but not limited to:

- Purchase order number
- Purchase price
- Book value
- Date acquired
- Estimated life
- Vendor
- Manufacturer
- Make
- Model
- Serial number

Once the invoice for an asset is received, the value on the invoice is compared with the value of the asset on the asset master record. If there is a difference between the amount on the invoice and the value on the asset master record, which comes from the purchase order, the system automatically updates the amount on the asset master record to match the invoice.

The Fixed Assets module of the SCEIS solution will use organizational elements called asset classes to categorize assets by type such as land, buildings, vehicles, machines, assets under construction, etc. Each asset class will have default values defined, such as useful life, depreciation key, classification criteria, valuation data, insurance-related data, etc. The default values will automatically populate many of the fields on an asset master record each time a new asset is created in the SCEIS solution. Each asset in the system will have an asset class assigned

to it upon acquisition that can be used for reporting purposes. Categories of asset classes often resemble the following:

- Office equipment
- Data processing equipment
- Medical, scientific, and lab equipment
- Food service, housekeeping, and laundry
- Educational and recreational equipment
- Motor vehicle equipment
- Fixed equipment
- Building construction
- Building services
- Land improvements
- Renovations
- Land

The asset master record contains detailed accounting information related to the purchase and depreciation of the asset, including fund, functional area, funds center, and cost center. For assets that are purchased using multiple fund sources, that information will be available through reports with drilldown capabilities. The drilldown functionality will allow users to view detailed fund accounting entries.

The SCEIS solution will have the ability to acquire the following types of assets:

- Purchased assets
- Constructed assets (capitalized from asset under construction)
- Donated assets (including gifts)
- Leased assets
- Transferred assets
- Confiscated assets

Constructed assets will be accumulated through the use of Project Systems. The project will be identified as an asset under construction with costs settled on a periodic basis. The completion of the project (or the asset) will have the costs transferred to asset accounting for capitalization under an asset master record.

The SCEIS solution will also be able to maintain information on buildings pertinent to insurance underwriting including:

- Location
- Building age / date constructed
- Number of stories
- Construction type
- Foundation
- Air handling system
- Square footage
- Roof type
- Condition
- Fire protection systems
- Building fuel information
- Usage
- Valuation
- Insurance information
- Geographic Information System technology location
- Loss history

The SCEIS solution will be able to maintain detailed property information required to identify, properly account for, and safeguard State lands, including:

- Legal description per survey
- County

- Acquisition information
- Number of acres and value per acre
- Fair market value
- Deed information
- Special Improvement District tax information
- Options to purchase property
- Geographic Information System technology location

The SCEIS solution will have the ability to maintain leased assets in the Fixed Assets module. The leased assets function enables the capitalization of leased assets using the capital lease method. The system calculates the acquisition value from the present value of the future lease payments in the leasing agreement. Operating leases may also be maintained in the Fixed Assets module. These leases are treated as a periodic rent expense, which flows into the revenue and expense statements.

Items identified by the agency as sensitive items, such as cell phones, VCRs, televisions, and weapons will be tracked in the Fixed Assets module of the SCEIS solution.

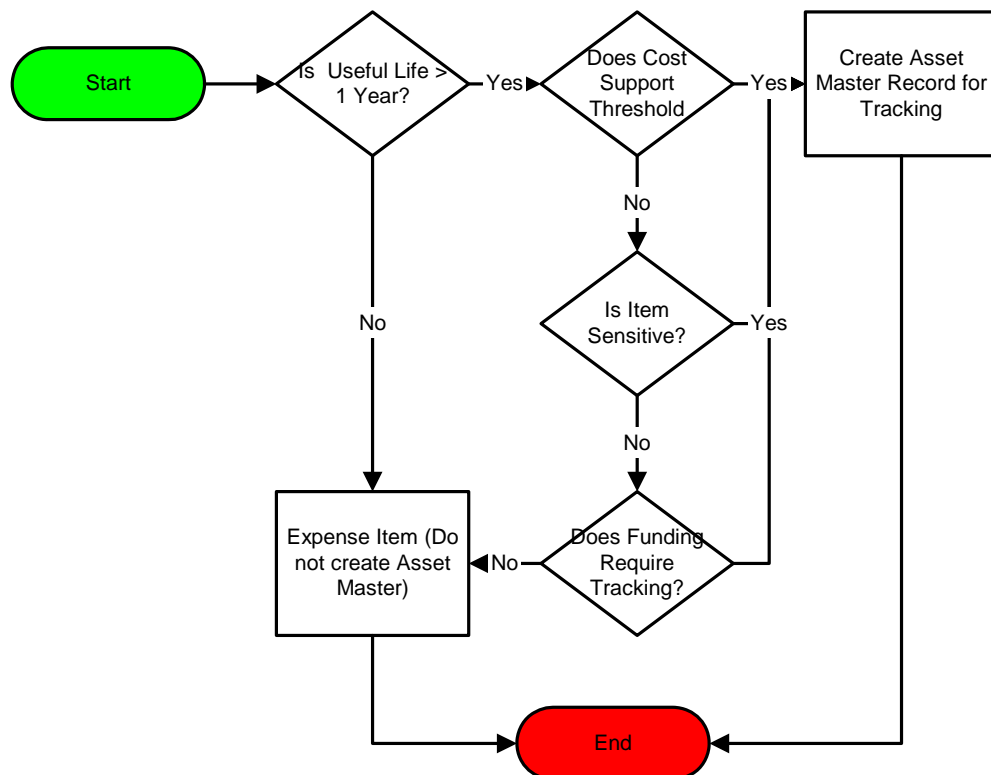
Process Flows

The business processes relating to the Fixed Assets module include the following:

1. **Asset Determination.** Determining whether or not an item has a useful life greater than one year is the first step in the asset determination process. If the item's useful life is determined to be less than or equal to one year, the item is not tracked in the Fixed Assets module; no asset master record is created for the item, and the item is immediately expensed. If the item's useful life is determined to be greater than one year, the item's cost is then weighed against the cost threshold. If the item's cost meets or exceeds the cost threshold, the item is determined to be an asset. It will have an asset master record created for it, and it will be tracked in the Fixed Assets module. If the item's cost does not meet the cost threshold, but it is determined to be a "sensitive" item, then the item is tracked as an asset in the Fixed Assets module. If the item's cost does not meet the cost threshold and the item is not determined to be a sensitive item, however, the funding source requires the item to be tracked as an asset, then the item is tracked as an asset in

the Fixed Assets module. If the item's cost does not meet the cost threshold, the item is not determined to be a sensitive item, and the funding source does not require the item to be tracked as an asset, then the item is not tracked in the Fixed Assets module. No asset master record is created for the item, and the item is immediately expensed. This process differs from the current State policy, which requires all items that meet the cost threshold and have a useful life of two years or greater to be tracked as assets. The current policy leaves the option of tracking an item as an asset to specific agencies when it's useful life is between one and two years. The current cost threshold is \$5,000 for most types of assets. However, some types of assets, such as land improvements and buildings, have higher cost thresholds.

Exhibit 2.10.2-2 Asset Determination Flow

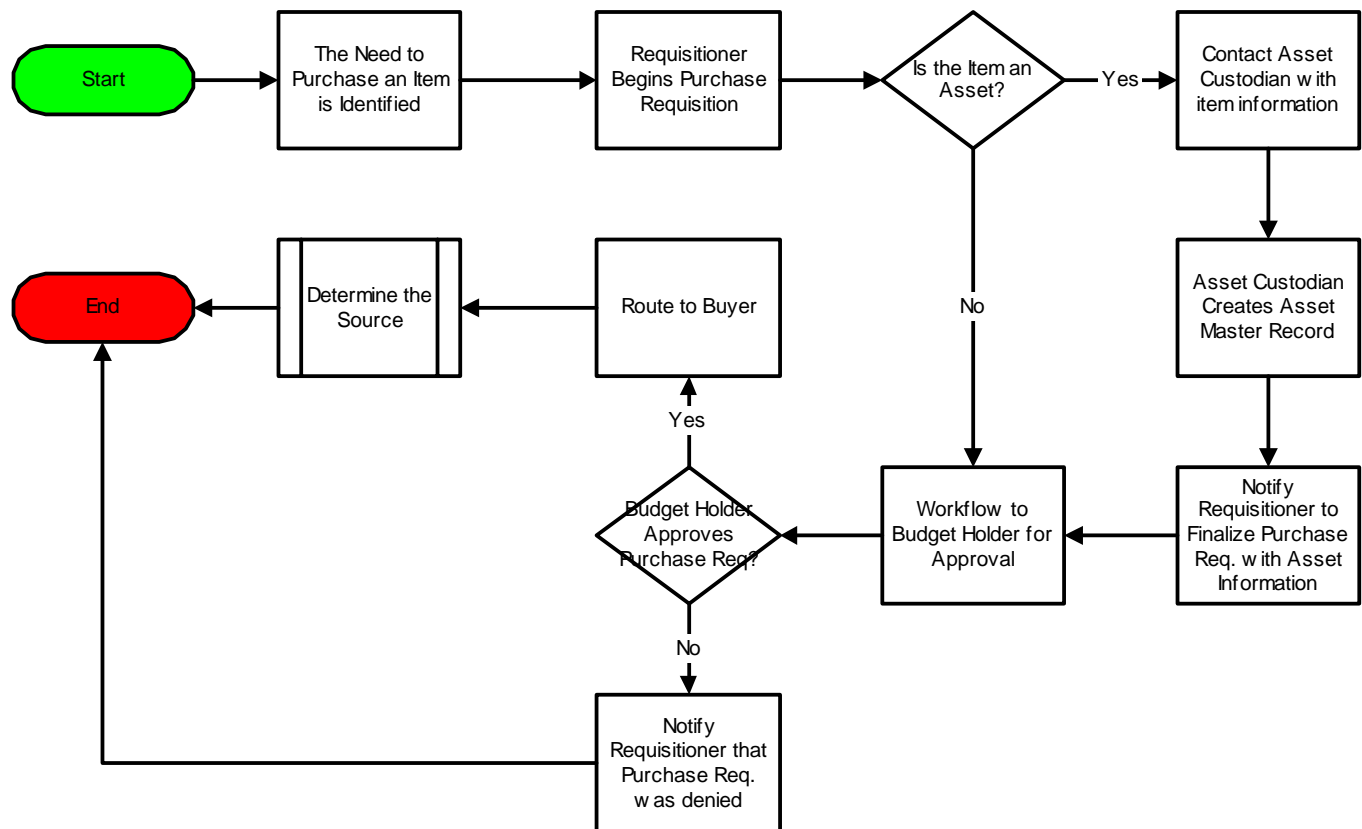


2. Asset Procurement. The “normal” asset procurement flow starts when the need to purchase an item is identified. When this need is identified the requisitioner begins the purchase requisition in the SCEIS solution and determines if the item is an asset. If the item is determined to be an asset the requisitioner contacts the asset custodian and supplies information about the asset. Once the asset custodian has received the asset

information he/she creates the asset master record. Once the asset master record is created the asset custodian notifies the requisitioner so he/she can finalize the purchase requisition. The requisitioner finalizes the purchase requisition and workflows it to the budget holder for approval. If the budget holder rejects the purchase requisition, notification is sent to the requisitioner that the purchase requisition was denied and the process ends. If the budget holder approves the purchase requisition, the purchase requisition is routed to the buyer and the procurement process begins (determine the source).

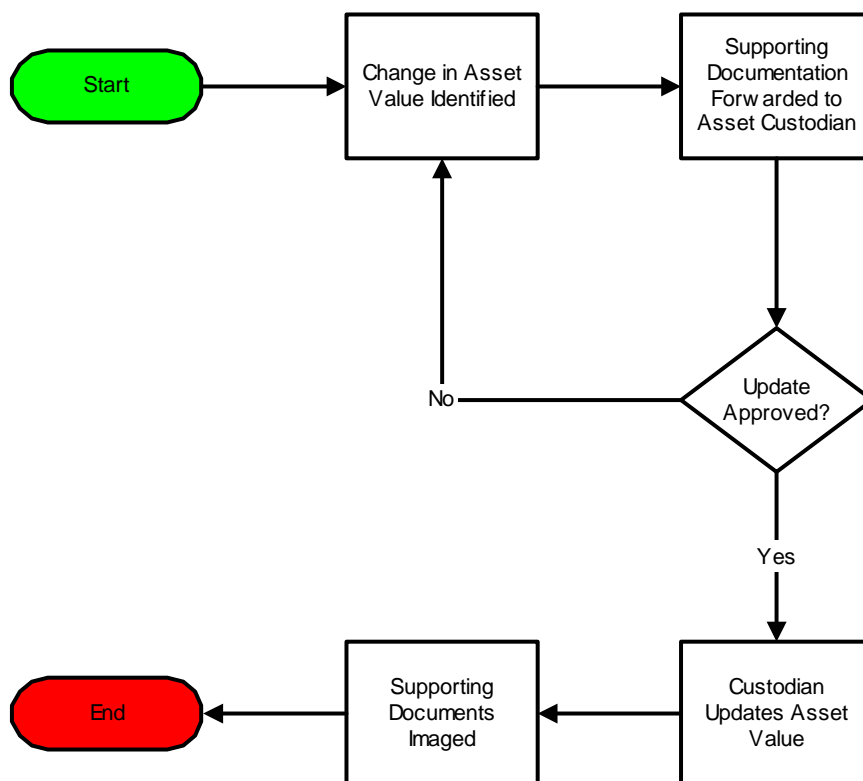
If the requisitioner begins the purchase requisition and determines the item is not an asset, the purchase requisition gets workflowed to the budget holder for approval. If the budget holder rejects the purchase requisition, notification is sent to the requisitioner that the purchase requisition was denied and the process ends. If the budget holder approves the purchase requisition, the purchase requisition is routed to the buyer and the procurement process begins (determine the source).

Exhibit 2.10.2-3 Asset Procurement Process



3. **Asset Revaluation.** The asset revaluation flow starts when the value of an asset unexpectedly changes and this change in value needs to be accounted for in the system. Sometimes an asset gets damaged and other times renovations are performed on an asset making it worth more. In any event, once the change in value is identified, documentation attesting to the change in the value of the asset should be forwarded to the asset custodian. The asset custodian, once he/she has received the supporting documentation, decides whether to approve the change in value or reject it. If the asset custodian rejects the change in the asset's value, the documentation is sent back to the originator. If the asset custodian approves the change in the asset's value the asset custodian updates the asset's value in the system. Once the asset's value is updated in the system the supporting documentation is imaged and the process ends.

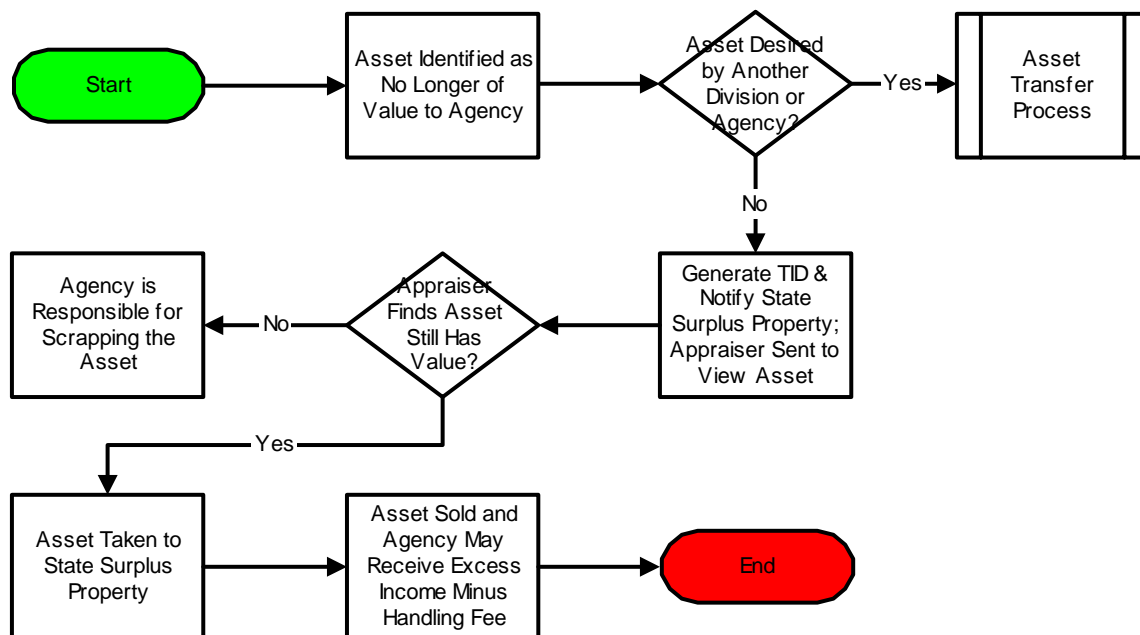
Exhibit 2.10.2-4 Asset Revaluation Process



4. **Asset Retirement.** The asset retirement process is used when it is determined that an asset is no longer of value to an agency or department of the State. When this occurs the department or agency first checks to see if any other departments or agencies within the State have a need for such an asset. If so, either the asset intra-agency transfer process or

the asset inter-agency transfer process begins (see process flows). If no other department or agency within the State has a use for the asset, State Surplus Property is notified and an appraiser is sent to view the asset. When the State appraiser views the asset, he/she determines if the asset still has value or if it should be scrapped. If the appraiser determines the asset has no significant value and should be scrapped, the department or agency that owns the asset is responsible for disposing of the asset in an appropriate manner. However, if the State appraiser determines the asset still has significant value to the State, arrangements are made to have the asset physically moved to State Surplus Property and the asset is retired in the system. Once at State Surplus Property the asset is sold or auctioned off and any revenue generated is returned to the department or agency from which it came minus a State Surplus Property handling fee. Finally, a turn-in document is completed. The turn-in document contains information regarding the asset transaction, such as date, agencies involved, contact person, etc.

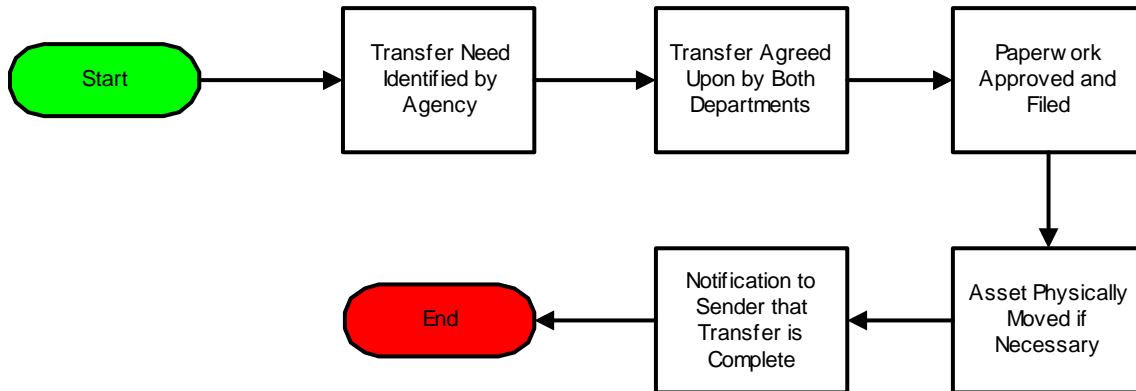
Exhibit 2.10.2-5 Asset Retirement Process



5. **Asset Intra-agency Transfer.** The asset intra-agency transfer process is used when the need to transfer an asset within an agency is identified. A program manager or a director usually identifies this need. Once the need has been identified and both departments of the agency have agreed to the transfer the appropriate paperwork is filed. At this point,

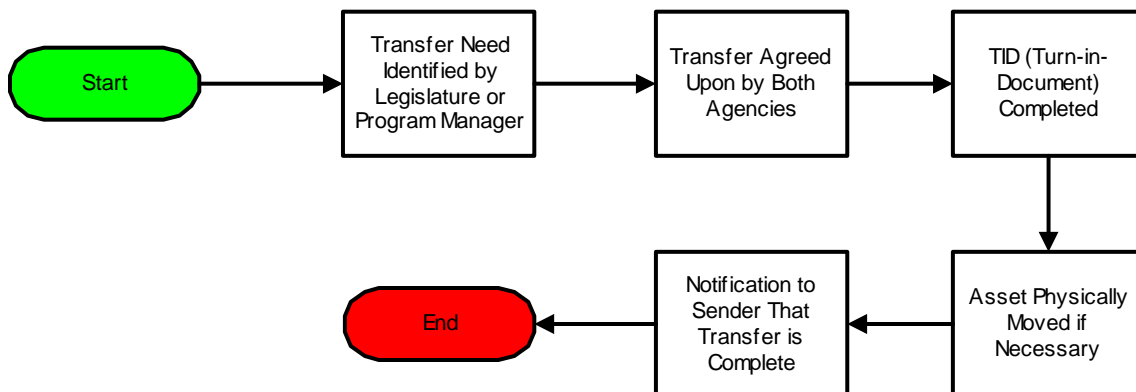
the asset is physically moved if necessary, and notification is sent to the sender that the transfer is complete.

Exhibit 2.10.2-6 Intra-agency Asset Transfer Process



6. Asset Inter-agency Transfer. The asset inter-agency transfer process is used when the need to transfer an asset between two different agencies of the State is identified. This need may be identified through the legislature or a manager or director of an agency. Once the need is identified it needs to be agreed upon by both agencies. After both agencies have agreed to the transfer a turn-in-document is completed. After the turn-in-document has been completed the asset is physically moved from its old location to its new location, however, this may not always be necessary. Finally, notification is sent to the sending agency that the transfer has been completed and the receiver updates the asset master record.

Exhibit 2.10.2-7 Inter-agency Asset Transfer Process



Benefits

Through the Fixed Assets workshops, benefits for the implementation and integration of fixed assets in a statewide system were identified. These benefits include:

- Significant reduction in requirements for agencies to prepare closing packages
- Ease of transferring assets between organizations
- Ability to record depreciation monthly

Business Requirements

The following set of business requirements represents items that were discussed during the Business Blueprint workshops and were either new requirements (requirements not already identified in the original RFP) or were requirements whereby the previous process for responding and managing the solution has changed considerably since the proposal process.

The ability to generate asset identification labels with bar codes, and supporting a portable bar code scanner are functions available within the solution, however, this has not been included in the scope for this project.

The SCEIS solution will allow for changes to be made to an asset's useful life, scrap value, and depreciation method. It is not recommended that the State change useful lives, scrap values, or depreciation methods after the asset's initial creation.

The maintenance and upkeep performed on assets may be scheduled and tracked in the SCEIS solution. The SCEIS solution includes functionality to record, assign, and track maintenance activities for individual assets. This functionality is supported through the Plant Maintenance module; however, Plant Maintenance is not included in the scope for this project.

Reporting

The State will benefit significantly from the standard fixed assets reports in the SCEIS solution. Individual asset reports can be generated that show the acquisition value of the asset, depreciation values, and adjustments. If the asset is being depreciated in multiple ways within the system, all of the depreciation values will be available. If the asset has already been retired, the scrap value of the asset will be shown. Data from any year of the asset's existence is also available in this standard report. Commonly used fixed assets reports are available within the SCEIS solution.

Additionally, the Report Writer/Report Painter functionality will allow the State to create specific unique reports.

The following table gives an overview of the standard fixed assets reports.

Exhibit 2.10.2-8 Asset Accounting Reporting Needs

Report Name	Description	Standard Report
Asset Details Information	This function shows all the values of a fixed asset, including the cost and depreciation, in various forms and summarization levels. Planned values are displayed, as well as values already posted. This function allows users to display and analyze asset values.	Asset Explorer
Asset Balances by Cost Center	This report displays values of all assets in a depreciation area. The report has the capability to sort by location, cost center, business area, asset class, and more.	Asset Balances
Depreciation by Asset	Ordinary depreciation, unplanned depreciation, and special depreciation that have been posted to the general ledger are displayed by this report.	Posted Depreciation
Forecasted Depreciation	This is a report for the simulation of future depreciation. The report date determines the future fiscal year, up to which the simulation should be carried out, or the fiscal year in which simulation to a given period should be carried out.	Depreciation Forecast
Asset Additions	This report displays all acquisition documents in a fiscal year by asset.	Asset Acquisitions
Asset Retirements	This report displays all retirement documents in a fiscal year period by asset.	Asset Retirements
Asset Transfers	This report displays all transfer documents in a fiscal year by asset.	Asset Transfers
Asset Detail History	This report makes it possible to view all information on the history of an asset, for example, changes to master data, asset values, or depreciation terms.	Asset History
Asset Inventory	This report displays a list of all assets in the system. There are several different versions of this report, which display assets by cost center, location, asset class, or plant.	Physical Inventory List

InfoCubes represent predefined sets of data that will be accessible for authorized users from the SCEIS Business Warehouse. The InfoCubes contain information that is transferred from the production system into a repository on a predefined basis. The project team will review the InfoCubes to confirm applicability for the specific functional reporting need as identified above. The following table describes the standard fixed assets InfoCubes.

Exhibit 2.10.2-9 Asset Accounting InfoCubes

InfoCube Name	Purpose/Description
Annual Values (planned)	This InfoCube contains the annual values for fixed assets on the basis of planned depreciation.
Annual Values (posted)	This InfoCube contains the period values for fixed assets on the basis of posted depreciation.
Transactions	This InfoCube contains the detailed transaction line items.
Annual Values and Transactions	This cube is a consolidated set of information containing data on planned depreciations as well as information on posted transactions. It is a consolidation of the Annual Values (planned) and the Transactions cubes identified in asset accounting.

Workflow

If a data entry clerk has parked a document, the clerk can manually contact the appropriate supervisor for approval of the parked document or use the SCEIS solution workflow capability.

Listed below are the benefits of utilizing workflow:

- A tool for increasing the efficiency of office communication and organization
- Allows automated document release (posting the document) and/or approval procedures involving two persons
- Increases efficiency of business processes by linking tasks to employees or departments within the organization
- Reduces time and cost in managing business processes by coordinating people, work steps and the data to be processed
- Increases transparency and quality

Through workflow, multiple approval processes can be configured. When a document is parked, it is triggered by threshold amounts for release to be approved. However, only three levels of amount approvals are possible. The amount-based release procedure will determine which person of responsibility should be notified (the approval path between employees or organizational departments must be configured), and the system will automatically place a message in the approver's mailbox to review the parked document. Upon review, the approver can complete (insert additional required information), approve or reject the parked document. If rejected, a mail

message will be sent to the originator of the parked document. If completed, the parked document is ready to be posted (called “release” in workflow).

If certain information is not available during document creation, the document can be saved as a held document. As with a parked document, when a held document is saved, no financial accounting entries are posted. Holding a document differs from parking a document in the following ways:

- The User assigns a temporary document number to the held document, which is controlled by the User ID. Others cannot view or change this held document.
- Held documents cannot be viewed in account display. Held documents can only be displayed during standard document entry time using the Open Held Document push-button.

Imaging

Imaging requirements have been identified for the documents that impact the fixed assets processes. Imaging within Fixed Assets refers to the scanning and capturing of information that is required to be maintained based on specified business rules or other requirements. The following table identifies the types of documents and information to be included in the imaging process and the point in the process to which the imaging activities would generally occur.

Exhibit 2.10.2-10 Asset Accounting Imaging Integration Points

Scanned Documentation	Approval Process	Imaging Integration Point
Asset Revaluation Supporting Documentation	Yes	Agency personnel would attach the form to the asset master record at the time of revaluation.
Turn-in Document	Yes	Agency personnel would attach the signed form to the asset master record at the time of completion, if not electronically workflowed.
Master Data Forms	Yes	Agency personnel would attach documentation to the asset master record at the time of creation.
Asset Transfer Documentation	Yes	Agency personnel would attach documentation to the asset master record at the time of transfer.

User Roles

Based on the business processes supporting asset accounting, the following standard roles have been identified. The impact to asset accounting from these user transactions is similar to other data element postings.

Exhibit 2.10.2-11 Asset Accounting Standard User Roles

User Role	Description
Agency Fixed Assets Master Data Maintenance	Agency Fixed Assets Master Data Maintenance users will maintain the various master data elements within the Fixed Assets module, such as asset and asset group. This role may be assigned to users in the finance and procurement parts of the organization, or to asset custodians.
Agency Fixed Assets Transaction Processing	Agency Fixed Assets Transaction Processing users will execute transactions within the Fixed Assets module, such as asset acquisitions, transfers, and retirements. This role may be assigned to users in the finance and procurement parts of the organization, or to asset custodians.
Central Fixed Assets Periodic Processing	Central Fixed Assets Periodic Processing users will perform periodic processing functions, such as executing depreciation.
Agency Fixed Assets Viewer	Agency Users with the Fixed Assets Viewer role will be able to view most transactional data in Fixed Assets, as well as run fixed assets reports.